

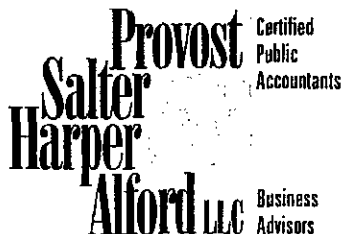
**CITY OF PORT ALLEN,
LOUISIANA**

FINANCIAL REPORT

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-28-05



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CITY OF PORT ALLEN, LOUISIANA

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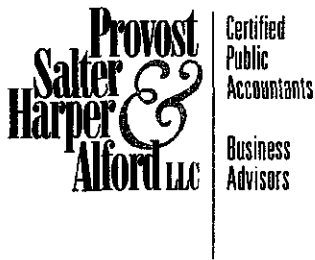
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INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Honorable Mayor and Members of the City Council
City of Port Allen, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Allen, Louisiana, as of and for the year ended June 30, 2005, which collectively comprised the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Allen, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2005, on our consideration of the City of Port Allen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 17 and the budgetary comparison schedules on pages 57 through 62 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprised the City of Port Allen, Louisiana, basic financial statements. The introductory section, combined and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Port Allen, Louisiana. The combining and individual nonmajor fund financial statements and the schedule of the expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, L.L.C.

November 18, 2005

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

We offer readers of the City of Port Allen's financial statements this narrative overview and analysis of the financial activities of the City of Port Allen for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Key financial highlights for the 2005 fiscal year include the following:

- The assets of the City of Port Allen exceeded its liabilities at the close of the most recent fiscal year by \$11,080,870 (net assets). Of this amount, \$1,537,946 (unrestricted net assets) may be used to meet government's obligations to citizens and creditors.
- The total net assets of the City of Port Allen increased by \$573,665 for the year ended June 30, 2005. Net assets of governmental activities increased by \$625,140 and net assets of business-type activities decreased by \$51,475.
- As of the close of the current fiscal year, the City of Port Allen's governmental funds reported combined ending fund balance of \$7,937,733, an increase of \$2,933,042 in comparison with the prior fiscal year. Of this amount, \$2,900,997 was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,900,997, or 89% of total General Fund expenditures.
- The City of Port Allen's total debt increased \$3,450,000 (371%) during the fiscal year as a result of borrowing \$3,505,000 for the construction of a new municipal complex and from the payment of \$55,000 on the balance of a loan for a sewer effluent line constructed in 1998.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City of Port Allen's basic financial statements. The City of Port Allen's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Port Allen's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City of Port Allen's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Port Allen is improving or deteriorating.

The Statement of Activities presents information showing how the City of Port Allen's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities distinguish functions of the City of Port Allen that are principally supported by taxes, intergovernmental revenues, and charges for services (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City of Port Allen's governmental activities include general government, public safety, roads and drainage, sanitation, culture, welfare and City Court. The business-type activities of the City of Port Allen include water, gas and sewerage.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Not only do the government-wide financial statements include the City of Port Allen itself, which is the primary government, but also its component unit, The City Court of Port Allen. Although the component unit is legally separate, its operational or financial relationship with the City of Port Allen makes the City of Port Allen financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Allen, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Port Allen can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

The City of Port Allen maintains seven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Port Allen Fire Subdistrict Number 3 and The Municipal Complex Construction Fund, all of which are considered to be major funds. Data for the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Port Allen adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary funds. The City of Port Allen maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Port Allen uses enterprise funds to account for its water and gas and sewer services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the water and gas and sewerage operations, which are considered to be major funds of City of Port Allen.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Port Allen's compliance with budgets for its major funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Allen, assets exceed liabilities by \$11,080,870 at the close of the most recent fiscal year.

By far the largest portion of the City of Port Allen's net assets (41 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Allen uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Allen's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Port Allen's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 9,135,580	\$ 5,476,340	\$ 1,957,947	\$ 1,930,775	\$ 11,093,527	\$ 7,407,115
Capital assets	3,767,041	2,720,056	2,468,001	2,560,953	6,235,042	5,281,009
Total assets	12,902,621	8,196,396	4,425,948	4,491,728	17,328,569	12,688,124
Current and other liabilities	1,080,022	469,690	674,319	664,412	1,754,341	1,134,102
Long-term liabilities	3,641,447	168,736	851,911	876,123	4,493,358	1,044,859
Total liabilities	4,721,469	638,426	1,526,230	1,540,535	6,247,699	2,178,961
Net assets:						
Invested in capital assets, net of related debt	2,964,043	2,720,057	1,591,878	1,684,830	4,555,921	4,404,887
Restricted	4,987,003	-	-	-	4,987,003	-
Unrestricted	230,106	4,837,913	1,307,840	1,266,363	1,537,946	6,104,276
Total net assets	\$ 8,181,152	\$ 7,557,970	\$ 2,899,718	\$ 2,951,193	\$ 11,080,870	\$ 10,509,163

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

The balance of unrestricted net assets of \$1,537,946 is used to meet the City of Port Allen's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Port Allen is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City of Port Allen's net assets increased by \$573,665 during the current fiscal year. The change is shown on the following page and is discussed on pages 10 through 12.

City of Port Allen, Louisiana
Management's Discussion and Analysis
June 30, 2005

City of Port Allen's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenues:						
Charges for services	\$ 325,618	\$ 329,944	\$ 2,280,050	\$ 2,261,697	\$ 2,605,668	\$ 2,591,641
Grants and contributions	790,973	711,240	-	-	790,973	711,240
General revenues:						
Sales taxes	2,533,445	2,381,298	-	-	2,533,445	2,381,298
Other taxes	682,876	652,404	-	-	682,876	652,404
Gaming	329,222	329,132	-	-	329,222	329,132
Other general revenues	750,810	701,053	80,267	13,054	831,077	714,107
Total revenues	5,412,944	5,105,071	2,360,317	2,274,751	7,773,261	7,379,822
Expenses						
General Government	444,545	559,351	-	-	444,545	559,351
Public Safety	2,329,903	2,213,864	-	-	2,329,903	2,213,864
Roads and Drainage	798,014	629,498	-	-	798,014	629,498
Depot Welcome Center	21,000	21,247	-	-	21,000	21,247
Sanitation	298,666	303,637	-	-	298,666	303,637
Health	25,525	23,077	-	-	25,525	23,077
Welfare	560,057	509,200	-	-	560,057	509,200
Community Development	36,972	4,983	-	-	36,972	4,983
Fleet Maintenance	96,454	56,113	-	-	96,454	56,113
Debt Service	156,785	-	-	-	156,785	-
Payments to other governments	19,883	-	-	-	19,883	-
Water, Sewage and Gas	-	-	2,411,792	2,415,745	2,411,792	2,415,745
Total expenses	4,787,804	4,320,970	2,411,792	2,415,745	7,199,596	6,736,715
Increase (decrease) in net assets	625,140	784,101	(51,475)	(140,994)	573,665	643,107
Net assets - beginning as previously reported	7,557,970	6,773,869	2,951,193	3,092,187	10,509,163	9,866,056
Correction of prior period	(1,958)	-	-	-	(1,958)	-
Net assets - as restated	7,556,012	6,773,869	2,951,193	3,092,187	10,507,205	9,866,056
Net assets at end of year	\$ 8,181,152	\$ 7,557,970	\$ 2,899,718	\$ 2,951,193	\$ 11,080,870	\$ 10,509,163

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Governmental Activities

Revenues for the City of Port Allen's governmental activities for the year ended June 30, 2005 were \$5,412,944 compared to \$5,105,071 in the year ended June 30, 2004.

- Sales taxes increased only \$152,147. Sales taxes are 59% of general revenues and 47% of total revenues.
- Other taxes increased \$30,472, mainly as a result of an increase in total assessed property values, which increases the total property tax revenue.

Business-type activities

The business-type activities of the City are those for which the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Water & Gas and Sewer departments are reported here.

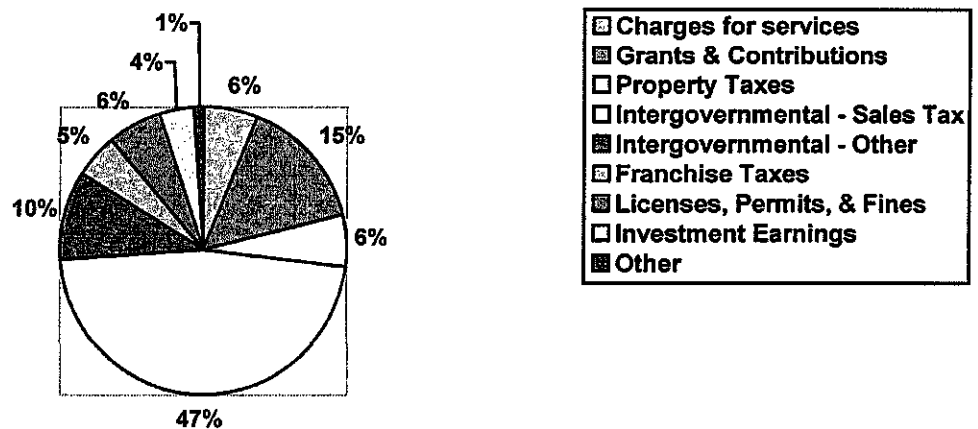
- Charges for services for the City's business-type activities were \$2,280,050, an increase of \$18,353, mainly as a result of an increase in gas prices.
- Other general revenues increased \$67,213, mainly as a result of the sale of servitude to a pipeline company and increased investment earnings.

City of Port Allen, Louisiana
Management's Discussion and Analysis
June 30, 2005

Total Governmental Activities Revenues

	<u>Amount</u>	<u>Percentage</u>
Charges for services	\$ 325,618	6%
Grants and contributions	790,973	15%
Property taxes	339,541	6%
Intergovernmental:		
Sales taxes	2,533,444	47%
Other	520,224	10%
Franchise taxes	301,061	5%
Licenses, permits and fines	331,667	6%
Investment earnings	239,856	4%
Other	30,560	1%
 Total governmental activities revenues	 <u>\$ 5,412,944</u>	 <u>100%</u>

Revenues



City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

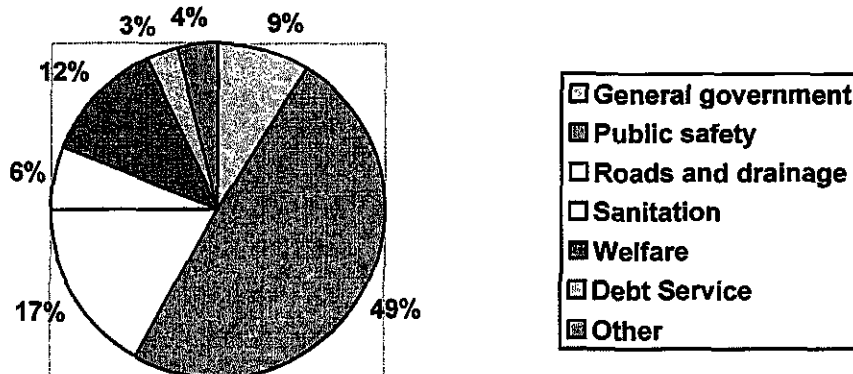
Total Governmental Activities Expenditures

The cost of all governmental activities this year was \$4,787,804, an increase of \$466,835. Key factors for the increase were the \$168,516 increase in roads and drainage expenses and the first-time occurrence of \$156,785 of debt service expenditures.

	<u>Amount</u>	<u>Percentage</u>
General government	\$ 444,545	9%
Public safety	2,329,903	49%
Roads and drainage	798,014	17%
Sanitation	298,666	6%
Welfare	560,057	12%
Debt Service	156,785	3%
Other	199,834	4%
Total governmental activities expenditures	<u>\$ 4,787,804</u>	<u>100%</u>

The City of Port Allen's largest programs are public safety, roads and drainage, and welfare. The graph below shows the expenses and program revenues generated by governmental activities:

Expenditures



City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Financial Analysis of the City of Port Allen's Funds

Governmental Funds

As noted earlier, the City of Port Allen uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City of Port Allen's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Port Allen's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the City of Port Allen's governmental funds reported a combined ending balance of \$7,937,733, an increase of \$2,933,042 in comparison with the prior fiscal year. Of this amount, \$2,900,997 or 37% was unreserved, undesignated and available for spending. \$5,036,736 or 63% was reserved or designated to indicate that it is not available for new spending because it has already been committed.
- The General Fund is the chief operating fund of the City of Port Allen. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,900,997. That amount is undesignated and is available for spending at the City Council's discretion. The total fund balance of the City of Port Allen's General Fund increased by \$252,478. A key factor in this was an increase of \$163,211 in intergovernmental revenue, primarily sales tax.
- The fund entitled Port Allen Fire Subdistrict Number 3 accounts for fire and emergency activities. At the end of the current fiscal year, reserved fund balance of the Fund was \$990,786, a decrease of \$123,952 due to the acquisition of a new fire engine.
- The Municipal Complex Construction Fund accounts for all resources and expenditures in connection with the construction of the new city hall and related improvements. At the end of the current fiscal year, the fund balance of the Fund was \$2,830,775, all of which is reserved for capital improvements.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Proprietary Funds

Water & Gas and Sewer net assets decreased by \$51,475. This change was a result of an operating loss during the year, primarily caused by rates that are established at levels too low to cover costs. The Council increased rates subsequent to this reporting period.

General Fund Budgetary Highlights

The budget policy of the City of Port Allen complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government budget Act (LSA-R.S. 39:1301 et seq.).

The original budget for the General Fund of the City of Port Allen was adopted on June 23, 2004. Some amendments were made. Differences between the budget and the actual results of the General Fund are as follows:

Revenues

- Franchise tax revenues were \$17,261 higher than the budget estimate.
- Business licenses were \$64,887 higher than the budget estimate.
- Sales and use tax revenues were estimated to increase based on estimates from the West Baton Rouge Parish Revenue Department. Actual results were more than original budget by \$150,915.
- Interest earned was \$57,095 higher than the budget estimate because of higher market values of investments and rising interest rates.
- Ad valorem tax revenues were expected to be 6% higher than prior year revenues. Actual revenues were greater than budget by \$3,541 as a result of higher than projected assessed values.
- Fines revenue was \$24,220 lower than the budget estimate.

Expenditures

- Total expenditures were \$80,923 (2.5%) higher than the budget estimate.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$6,235,042 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, wastewater treatment plant, and water and gas transmission and distribution lines. The City has not yet included infrastructure assets acquired before June 30, 2004. The required date for inclusion of infrastructure assets is the fiscal year ended June 30, 2008. The City intends to implement infrastructure improvements acquired before June 30, 2004 prior to that date.

Additional information on the City's capital assets can be found in Note 5 on page 47 through 49 of this financial report.

City of Port Allen's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and Land improvements	\$ 961,051	\$ 921,542	\$ 388,403	\$ 388,403	\$ 1,349,454	\$ 1,309,945
Buildings and structures	972,386	996,776	230,433	238,889	1,202,819	1,235,665
Furniture and Fixtures	62,233	62,515	25,541	35,220	87,774	97,735
Equipment and vehicles	968,373	739,224	53,577	47,643	1,021,950	786,867
Wastewater treatment plant	-	-	118,281	142,726	118,281	142,726
Water System	-	-	235,915	247,254	235,915	247,254
Gas System	-	-	236,827	249,764	236,827	249,764
Sewer System	-	-	1,179,024	1,211,053	1,179,024	1,211,053
Construction in progress	802,998	-	-	-	802,998	-
Total	\$ 3,767,041	\$ 2,720,057	\$ 2,468,001	\$ 2,560,952	\$ 6,235,042	\$ 5,281,009

Major capital asset events during the fiscal year included the following:

- The purchase of \$39,509 of additional land for the Municipal Building Complex area.
- Expenditures of \$802,998 for construction in progress for the Municipal Building Complex.
- The purchase of a new fire engine for \$238,644.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Long Term Debt

At the end of the current fiscal year, the City of Port Allen had total debt outstanding of \$4,381,123. Of this amount, \$3,505,000 comprises debt backed by the full faith and credit of the government, and \$876,123 represents debt secured by specified revenue sources. The following table summarizes debt outstanding at June 30, 2005.

**City of Port Allen's Outstanding Debt at Year End
Bonds and Notes Payable**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Notes Payable	\$3,505,000	\$ -	\$ -	\$ -	\$3,505,000	\$ -
Revenue Bonds Payable	-	-	876,123	931,123	876,123	931,123
Total	<u>\$3,505,000</u>	<u>\$ -</u>	<u>\$ 876,123</u>	<u>\$ 931,123</u>	<u>\$4,381,123</u>	<u>\$ 931,123</u>

During the fiscal year, the City's total debt increased by \$3,450,000. The increase was due to borrowing \$3,505,000 from the Louisiana Local Government Environmental Facilities and Community Development Authority, and the repayment of \$55,000 to the Department of Environmental Quality Revolving Loan Fund.

For additional information regarding capital assets and long-term debt, see the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered when the budget for FY 2006 was presented to the Council:

- For the year ending June 30, 2006, the City of Port Allen has projected a 2% increase in property tax revenues and a 5.2% increase in sales tax revenues. Because our share of sales taxes is based on population, we plan to determine ways to reverse the City's negative population trend.

City of Port Allen, Louisiana

Management's Discussion and Analysis

June 30, 2005

Requests for Information

This financial report is designed to provide a general overview of the City of Port Allen's finances for all those with an interest in the City of Port Allen's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance of the City of Port Allen, 750 North Jefferson, Port Allen, LA, 70767, or by calling (225) 346-5670.

CITY OF PORT ALLEN, LOUISIANA

Basic Financial Statements

June 30, 2005

CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets

June 30, 2005

	Primary Government			Component unit
	Government activities	Business-type activities	Total	
Assets				
Cash and cash equivalents	\$ 4,900,854	\$ 1,191,217	\$ 6,092,071	\$ 39,859
Investments	3,348,938	165,092	3,514,030	264,330
Receivables, net	127,369	230,709	358,078	-
Internal balances	261,564	216,168	477,732	20,280
Due from other governments	329,060	-	329,060	-
Prepaid items and other assets	49,970	37,379	87,349	-
Capitalized bond costs	117,825	-	117,825	-
Restricted assets:				
Cash and cash equivalents	-	117,382	117,382	-
Capital assets:				
Land	961,051	388,403	1,349,454	-
Other capital assets, net of depreciation	2,805,990	2,079,598	4,885,588	48,050
Total assets	12,902,621	4,425,948	17,328,569	372,519
Liabilities				
Accounts payable	853,527	131,791	985,318	619
Due to other funds	138,749	338,983	477,732	-
Deposits and deferred charges	-	106,345	106,345	-
Compensated Absences	87,746	28,549	116,295	-
Noncurrent liabilities:				
Due within one year	-	68,651	68,651	-
Due in more than one year	3,641,447	851,911	4,493,358	-
Total liabilities	4,721,469	1,526,230	6,247,699	619
Net Assets				
Invested in capital assets, net of related debt	2,964,043	1,591,878	4,555,921	48,050
Restricted for:				
Public safety	994,041	-	994,041	-
Welfare	9,837	-	9,837	-
Debt service	132,751	-	132,751	-
Capital improvements	3,850,374	-	3,850,374	-
Unrestricted	230,106	1,307,840	1,537,946	323,850
Total net assets	\$ 8,181,152	\$ 2,899,718	\$ 11,080,870	\$ 371,900

CITY OF PORT ALLEN, LOUISIANA

Statement of Activities

Year Ended June 30, 2005

Functions/programs	Program Revenues				Net (expenses) revenue and change in assets			Component units
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities		
						Total		
Primary government:								
Governmental activities:								
General government	\$ 444,545	\$ -	\$ -	\$ 33,177	\$ (411,368)	\$ -	\$ (411,368)	\$ -
Public safety	2,329,903	9,747	100,147	-	(2,220,009)	-	(2,220,009)	-
Roads and drainage	798,014	-	91,835	-	(706,179)	-	(706,179)	-
Depot welcome center	21,000	-	-	-	(21,000)	-	(21,000)	-
Sanitation	298,666	315,871	-	-	17,205	-	17,205	-
Health	25,525	-	-	-	(25,525)	-	(25,525)	-
Welfare	560,057	-	565,814	-	5,757	-	5,757	-
Community Development	36,972	-	-	-	(36,972)	-	(36,972)	-
Fleet maintenance	96,454	-	-	-	(96,454)	-	(96,454)	-
Debt Service	156,785	-	-	-	(156,785)	-	(156,785)	-
Payments to other governments	19,883	-	-	-	(19,883)	-	(19,883)	-
Total governmental activities	\$ 4,787,804	\$ 325,618	\$ 757,796	\$ 33,177	\$ (3,671,213)	\$ -	\$ (3,671,213)	\$ -
Business-type activities								
Water and Gas	1,744,544	1,621,955	-	-	-	(122,589)	(122,589)	-
Sewer	667,248	658,095	-	-	-	(9,153)	(9,153)	-
Total business-type activities	2,411,792	2,280,050	-	-	-	(131,742)	(131,742)	-
Total primary government	\$ 7,199,596	\$ 2,605,668	\$ 757,796	\$ 33,177	\$ (3,671,213)	\$ (131,742)	\$ (3,802,955)	\$ -
Component units:								
City Court	\$ 237,687	\$ 277,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,460
General revenues:								
Taxes:								
Property					\$ 339,541	\$ -	\$ 339,541	\$ -
Intergovernmental					3,053,668	-	3,053,668	-
Fines					14,780	-	14,780	-
Franchise					301,061	-	301,061	-
Licenses and permits					316,887	-	316,887	-
Investment earnings					239,856	33,346	273,202	3,098
Miscellaneous					35,289	46,921	82,210	-
Gain (Loss) on sale of capital assets					(4,729)	-	(4,729)	-
Total general revenues and transfers					4,296,353	80,267	4,376,620	3,098
Change in net assets					625,140	(51,475)	573,665	42,558
Net assets - beginning as previously reported					7,557,970	2,951,193	10,509,163	329,342
Correction of prior period					(1,958)	-	(1,958)	-
Net assets - as restated					7,556,012	2,951,193	10,507,205	329,342
Net assets - ending					\$ 8,181,152	\$ 2,899,718	\$ 11,080,870	\$ 371,900
			20					

See Notes to Financial Statements

CITY OF PORT ALLEN, LOUISIANA

Balance Sheet, Governmental Funds

June 30, 2005

	General	Port Allen Fire Subdistrict Number 3	Municipal Complex Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 327,609	\$ 227,287	\$ 3,175,340	\$ 1,170,618	\$ 4,900,854
Investments	2,510,587	838,351	-	-	3,348,938
Receivables, net	112,613	8,791	4,927	1,038	127,369
Due from other funds	261,564	-	-	-	261,564
Due from other governments	160,878	89,021	-	79,161	329,060
Prepaid items and other assets	49,733	237	-	-	49,970
Total assets	3,422,984	1,163,687	3,180,267	1,250,817	9,017,755
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	403,265	12,977	314,304	2,629	733,175
Compensated absences	65,734	22,012	-	-	87,746
Due to other funds	-	137,912	-	837	138,749
Contract retainage payable	-	-	35,188	-	35,188
Accrued interest payable	-	-	-	85,164	85,164
Total liabilities	468,999	172,901	349,492	88,630	1,080,022
Fund balance:					
Reserved for:					
Prepaid items	49,733	-	-	-	49,733
Public safety	3,255	990,786	-	-	994,041
Welfare	-	-	-	9,837	9,837
Debt service	-	-	-	132,751	132,751
Capital improvements	-	-	2,830,775	1,019,599	3,850,374
Unreserved, undesignated	2,900,997	-	-	-	2,900,997
Total fund balance	2,953,985	990,786	2,830,775	1,162,187	7,937,733
Total liabilities and fund balance	\$ 3,422,984	\$ 1,163,687	\$ 3,180,267	\$ 1,250,817	\$ 9,017,755

CITY OF PORT ALLEN, LOUISIANA

***Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets******June 30, 2005***

Fund balances - total governmental funds**\$ 7,937,733**

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental funds

Governmental capital assets

5,933,417

Less accumulated depreciation

(2,166,376)

3,767,041

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds

Capitalized bond costs

117,825

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the governmental funds

Bonds payable

(3,505,000)

Compensated absences payable

(136,447)(3,641,447)

Net assets of governmental activities

\$ 8,181,152

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds

Year Ended June 30, 2005

	General	Port Allen Fire Subdistrict Number 3	Municipal Complex Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 640,602	\$ -	\$ -	\$ -	\$ 640,602
Licenses and permits	316,887	-	-	-	316,887
Intergovernmental	2,005,250	911,177	-	928,214	3,844,641
Charges for services	325,618	-	-	-	325,618
Fines and forfeitures	14,780	-	-	-	14,780
Investment earnings	132,095	55,291	33,773	18,697	239,856
Miscellaneous	17,096	17,035	-	1,158	35,289
Total revenues	3,452,328	983,503	33,773	948,069	5,417,673
Expenditures					
Current					
General government	481,146	-	-	-	481,146
Public safety	1,449,584	740,539	-	-	2,190,123
Roads and drainage	775,088	-	-	1,500	776,588
Depot welcome center	12,887	-	-	-	12,887
Sanitation	298,666	-	-	-	298,666
Health	25,525	-	-	-	25,525
Welfare	-	-	-	560,057	560,057
Community Development	36,972	-	-	-	36,972
Fleet maintenance	96,454	-	-	-	96,454
Capital outlay					
General government	-	-	802,998	39,509	842,507
Public safety	90,462	292,682	-	-	383,144
Highways and streets	-	-	-	-	-
Debt Service					
Interest expense	-	-	-	151,876	151,876
Bond issuance cost	-	-	-	75,420	75,420
Total expenditures	3,266,784	1,033,221	802,998	828,362	5,931,365
Excess (Deficiency) of Revenues Over Expenditures	185,544	(49,718)	(769,225)	119,707	(513,692)
Other Financing Sources (Uses)					
Sales of general fixed assets	8,286	645	-	-	8,931
Bond proceeds	-	-	3,100,000	405,000	3,505,000
Original issue discount	-	-	-	(47,314)	(47,314)
Operating transfers in	58,648	-	500,000	-	558,648
Operating transfers out	-	(74,879)	-	(503,652)	(578,531)
Total other financing sources (uses)	66,934	(74,234)	3,600,000	(145,966)	3,446,734
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	252,478	(123,952)	2,830,775	(26,259)	2,933,042
Fund Balances					
Beginning as previously reported	2,701,507	1,114,738	-	1,190,404	5,006,649
Correction	-	-	-	(1,958)	(1,958)
Beginning as restated	2,701,507	1,114,738	-	1,188,446	5,004,691
Ending	\$ 2,953,985	\$ 990,786	\$ 2,830,775	\$ 1,162,187	\$ 7,937,733

CITY OF PORT ALLEN, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 2,933,042
--	--------------

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay	1,225,652	
Depreciation expense	<u>(165,007)</u>	
		1,060,645

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(13,660)
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The issuance of long term debt provides current financial resources to
governmental funds, while the repayment of the principal of long term debt
consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effects of issuance costs, premiums, discounts, and similar items
when debt is first issued, whereas these amounts are deferred and amortized
in the statement of activities. The amount is the net effect of these differences
in the treatment of long-term debt and related items.

Bond proceeds	(3,505,000)	
Capitalized bond issuance costs, less amortization expense	72,403	
Original issue discount, less amortization expense	<u>45,422</u>	
		(3,387,175)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Compensated absences expense	<u>32,288</u>
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Change in net assets of governmental activities	<u>\$ 625,140</u>
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CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets, Proprietary Funds

June 30, 2005

	Business-type Activities Enterprise Funds		
	Water & Gas	Sewer	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,191,217	\$ -	\$ 1,191,217
Investments	48,837	116,255	165,092
Restricted:			
Cash and cash equivalents	106,345	11,037	117,382
Accounts receivable, net	230,627	-	230,627
Accrued interest receivable	82	-	82
Due from other funds	-	216,168	216,168
Prepaid items and other assets	31,902	5,477	37,379
Total current assets	1,609,010	348,937	1,957,947
Noncurrent Assets			
Capital assets:			
Land and land improvements	16,193	372,210	388,403
Buildings and structures	296,874	-	296,874
Furniture and fixtures	91,459	488	91,947
Equipment and vehicles	172,802	74,686	247,488
Wastewater treatment plant	-	746,824	746,824
Water system	1,240,148	-	1,240,148
Gas system	917,071	-	917,071
Sewer system	-	1,685,473	1,685,473
Less accumulated depreciation	(1,965,428)	(1,180,799)	(3,146,227)
Total capital assets (net of accumulated depreciation)	769,119	1,698,882	2,468,001
Total noncurrent assets	769,119	1,698,882	2,468,001
Total assets	2,378,129	2,047,819	4,425,948

Continued on next page.

CITY OF PORT ALLEN, LOUISIANA**Statement of Net Assets, Proprietary Funds, Continued****June 30, 2005**

	Business-type Activities Enterprise Funds		
	Water & Gas	Sewer	Total
Liabilities			
Current Liabilities (payable from current assets):			
Accounts payable	128,933	2,858	131,791
Due to other funds	338,983	-	338,983
Customer deposits	106,345	-	106,345
Compensated absences	17,399	11,150	28,549
Total current liabilities (payable from current assets)	591,660	14,008	605,668
Current Liabilities (payable from restricted assets):			
Accrued interest payable on revenue bonds	-	8,651	8,651
Current portion of long-term debt	-	60,000	60,000
Total current liabilities (payable from restricted assets)	-	68,651	68,651
Noncurrent Liabilities:			
Compensated absences	24,384	11,404	35,788
Bonds and notes payable	-	816,123	816,123
Total noncurrent liabilities	24,384	827,527	851,911
Total liabilities	616,044	910,186	1,526,230
Net Assets			
Invested in capital assets, net of related debt	769,119	822,759	1,591,878
Unrestricted	992,966	314,874	1,307,840
Total net assets	\$ 1,762,085	\$ 1,137,633	\$ 2,899,718

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

Year Ended June 30, 2005

	Water & Gas	Sewer	Total
Operating Revenues			
Charges for services			
Gas sales	\$ 1,251,256	\$ -	\$ 1,251,256
Water sales	325,390	-	325,390
Sewer service charges	-	653,199	653,199
Connection fees	11,582	4,896	16,478
Delinquent charges	33,727	-	33,727
Miscellaneous	15,978	30,943	46,921
Total Operating Revenues	1,637,933	689,038	2,326,971
Operating Expenses			
Personal services	524,675	279,869	804,544
Contractual services and other	164,585	214,600	379,185
Supplies	18,595	48,391	66,986
Materials	948,244	7,343	955,587
Heat, light and power	41,577	19,641	61,218
Depreciation	46,868	61,168	108,036
Total Operating Expenses	1,744,544	631,012	2,375,556
Operating Income (Loss)	(106,611)	58,026	(48,585)
Nonoperating Revenues (Expenses)			
Interest expense	-	(36,236)	(36,236)
Investment earnings	27,909	5,437	33,346
Total Nonoperating Revenues (Expenses)	27,909	(30,799)	(2,890)
Income (loss) before transfers	(78,702)	27,227	(51,475)
Transfer in (out)	17,940	(17,940)	-
Increase (Decrease) in net assets	(60,762)	9,287	(51,475)
Net assets			
Beginning	1,822,847	1,128,346	2,951,193
Ending	\$ 1,762,085	\$ 1,137,633	\$ 2,899,718

CITY OF PORT ALLEN, LOUISIANA

Statement of Cash Flows**Year Ended June 30, 2005****Proprietary Funds**

	Water & Gas	Sewer
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,610,500	\$ 658,095
Payments to suppliers	(1,178,278)	(290,297)
Payments to employees for services and benefits	(524,675)	(279,869)
Other operating cash receipts	15,978	30,943
Net Cash Provided By (Used In) Operating Activities	(76,475)	118,872
Cash Flows From Noncapital Financing Activities		
Loans to other funds	-	(13,669)
Loans from other funds	56,174	-
Net Cash Provided By (Used in) Noncapital Financing Activities	56,174	(13,669)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(15,085)	-
Principal paid on revenue bonds	-	(55,000)
Interest Paid	-	(36,236)
Transfers in (out)	17,940	(17,940)
Net Cash Provided By (Used In) Capital and Related Financing Activities	2,855	(109,176)
Cash Flows From Investing Activities		
Interest on investments	27,633	3,691
Purchase of investments	(48,561)	(20,000)
Net Cash Provided By (Used In) Investing Activities	(20,928)	(16,309)
Decrease in Cash and Cash Equivalents	(38,374)	(20,282)
Cash and Cash Equivalents		
Beginning	1,335,936	31,319
Ending	\$ 1,297,562	\$ 11,037
Cash and Cash Equivalents Restricted Assets		
	\$ 1,191,217	\$ -
	106,345	11,037
Totals	\$ 1,297,562	\$ 11,037

CITY OF PORT ALLEN, LOUISIANA

Statement of Cash Flows (continued)
Proprietary Funds**Year Ended June 30, 2005**

	Water & Gas	Sewer
Cash Flows From Operating Activities		
Operating income	\$ (106,611)	\$ 58,026
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	46,868	61,168
Provisions for doubtful accounts	9,012	-
Change in assets and liabilities		
Decrease in accounts receivable	(11,455)	-
Increase (decrease) in accounts payable and accrued expenses	(15,392)	(86)
Other prepaids and accruals, net	1,103	(236)
Net Cash Provided By Operating Activities	\$ (76,475)	\$ 118,872

CITY OF PORT ALLEN, LOUISIANA

Statement of Net Assets**December 31, 2004****Component Unit**

	City Court
Assets	
Cash and cash equivalents	\$ 39,859
Investments	264,330
Due from other funds	20,280
Capital assets, net of depreciation	<u>48,050</u>
Total assets	<u>372,519</u>
Liabilities	
Accounts payable	<u>619</u>
Net Assets	
Invested in capital assets, net of related debt	48,050
Unrestricted	<u>323,850</u>
Total net assets	<u>\$ 371,900</u>

CITY OF PORT ALLEN, LOUISIANA

Statement of Activities
Component Unit**Year Ended December 31, 2004**

	<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenues and Changes</u> <u>in Net Assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>City</u> <u>Court</u>
City Court			
Judiciary	<u>\$ 237,687</u>	<u>\$ 277,147</u>	<u>\$ 39,460</u>
General Revenues			
Investment earnings			<u>3,098</u>
Change in net assets			<u>42,558</u>
Net assets - beginning			<u>329,342</u>
Net assets - ending			<u><u>\$ 371,900</u></u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

The financial statements of the City of Port Allen, Louisiana (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Blended component unit: The Port Allen Fire Subdistrict No. 3 serves the citizens of the government.

Discretely presented component units: The City Court of Port Allen serves the citizens of the City. The voters elect the judge. The City is required to provide facilities and funding for the operation of the Court.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Complete financial statements for the City Court may be obtained at the Court's administrative office: City Court of Port Allen, 330 South Alexander, Port Allen, Louisiana.

The government is a municipal corporation governed by an elected Mayor and five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 year end.

Excluded from the reporting entity:

Port Allen Volunteer Fire Department and Port Allen Auxiliary Police Department. These potential component units provide volunteer fire and police services within the city limits. Although the City does provide facilities and/or some financing, it does not exercise direct control over their operations.

Port Allen City Constable. This potential component unit is an independently elected official and provides services to residents, generally within the geographic boundaries of the City. However, the City does not have the ability to exercise influence over its daily operations and does not provide any funding for the office.

Basis of Presentation. The government-wide financial statements (the statement of net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Fund Financial Statements. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund. The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Port Allen Fire Subdistrict Number 3 Fund. The Fire District Fund is used to account for a ½ cent sales tax specifically dedicated for the purchase and maintenance of fire fighting equipment and to provide for payment of contractual obligations of the fire subdistrict and to provide fire protection to the subdistrict and its citizens.

Municipal Complex Construction Fund. The Municipal Complex Construction Fund is used to account for all resources and expenditures in connection with the construction of capital facilities and major capital improvements.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water and Gas Fund. The Water and Gas Fund is to account for the provision of water and gas services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Sewer Fund. The Sewer Fund is to account for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service billing.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, fines, interest revenue and charges for services. Sales taxes collected and held by the Parish and beer taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. Licenses and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The proprietary fund type utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, capital improvement and debt service funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds. Encumbrances outstanding at year end are immaterial and not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash, Cash Equivalents and Investments. Cash and cash equivalents include amounts in demand deposits as well as short term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at market value.

Short Term Interfund Receivables/Payables. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" on the balance sheet. Short-term interfund loans, if any, are classified as "interfund receivables/payables."

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Inventories. Purchases of operating supplies are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Items. Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

Restricted Assets. Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next 12 months. The "revenue bond account renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets. Capital Assets, which includes property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Description	Life in Years
Buildings	30-50
Water and Sewer Systems	40-50
Infrastructure	20-35
Machinery and Equipment	5-10
Improvements	20

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The City has elected to implement the general provisions of GASB Statement No. 34 and hopes to implement the retroactive infrastructure provisions in the fiscal year ending June 30, 2006.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Compensated Absences. In accordance with GASB Statement No. 16, vested or accumulated vacation leave is accrued and recorded as earned. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The current and non-current portions of this obligation, in the governmental funds, are recorded in the government-wide financial statements. The current and non-current balances of this obligation, in the proprietary funds, are recorded in the fund financial statements.

Long Term Debt. Long Term Debt obligations to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements.

Long Term Debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures in the fund statements.

The reporting of Long Term Debt in the proprietary statements is the same in the fund statements as it is in the government-wide statements.

Fund Equity.

Equity Classifications.

Government-Wide Financial Statements.

In the Government-Wide Financial Statements equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by:
 1. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 2. law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Fund Financial Statements.

In the Fund Financial Statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenues and Expenditure Recognition.

Ad Valorem Taxes. Ad Valorem taxes are recognized in the fiscal year in which the taxes are levied. Taxes are due and become an enforceable lien on property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). City taxes are billed and collected by the City.

Taxes become delinquent on January 1st in the year after levy. Taxes are levied on property values determined by the West Baton Rouge Parish Assessor's Office. All land and residential improvements are assessed at 10 percent of its fair market value and other property at 15 percent of its fair market value. Ad Valorem taxes are levied (per \$1,000 assessed value) in varying amounts for maintenance and operation, debt service and capital improvements for the city and are distributed to its funds as follows:

General Fund	2005 Millage
General Maintenance	7.37
Police Department	5.27

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

2. Legal Compliance – Budgets

On or before May 15 of each year, all agencies of the City submit requests for appropriation to the City's finance director so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before June 16, the proposed budget is presented to the City's Council for review. The City's Council holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's finance director or the revenue estimates must be changed by an affirmative vote of a majority of the City's Council.

Expenditures may not legally exceed budgeted appropriations at the activity level by more than 5%. During the year, several supplementary appropriations were necessary.

3. Deposits and Investments

Deposits. Under State law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At year end the carrying amount of the City's deposits was \$6,209,454 and the bank balance was \$6,194,249. All of the bank balance was covered by federal depository insurance or collateral pledged in the name of the city (GASB Category 3)

Investments. State law allows the city to invest in any direct obligation of the United States Treasury, other debt issued or guaranteed by the full faith and credit of the United States, certificates of deposit of any bank in Louisiana, mutual funds which are registered with the Securities and Exchange Commission and invest in securities of the U.S. government or its agencies, guaranteed investment contracts issued by banks or insurance companies or investment grade commercial paper of domestic U.S. corporations.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at market value and are equal to the value of the pool shares.

Investments in LAMP held at June 30, 2005 totaled \$448,759. In accordance with GASB Codification Section 150.165, the investments in LAMP at June 30, 2005 are not categorized in the risk categories provided by GASB Codification Section 150.164 because the investments are in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The LAMP Corporation is governed by a board of directors comprising the State treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

	Change in Investments	
	Amortized Cost	Fair Value
Balance, June 30, 2004	\$ 3,439,621	\$ 3,372,874
Add:		
Investment purchase	345,000	345,000
Market value adjustment	-	52,686
Total	3,784,621	3,770,560
Less- investments maturities	256,530	256,530
Balance, June 30, 2005	\$ 3,528,091	\$ 3,514,030

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Custodial Risk of Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are insured and are not registered in the name of the City and are held by either the counter-party's trust department or agents but not in the City's name. The City has no custodial credit risk at June 30, 2005 since all investments were registered in the name of the broker as nominee for the City of Port Allen and held in the possession of the City's brokers.

Interest Rate Risk

As of June 30, 2005, the City of Port Allen had the following investments and maturities:

	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agency					
Obligations	\$ 2,224,030	\$ -	\$ 624,491	\$ 908,177	\$ 691,362
Certificates of Deposit	1,290,000	1,290,000	-	-	-
Totals	\$ 3,514,030	\$ 1,290,000	\$ 624,491	\$ 908,177	\$ 691,362

Credit Risk

As of June 30, 2005, the City's investments in U.S. Agencies are not risk rated.

In order to accurately compare the cash and investments shown on the combined balance sheet with carrying values of deposits and investments disclosed in the schedules above, the following is provided:

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Captions in Note 3	
Carrying value of bank deposits	\$ 5,760,694
Carrying value of investments	3,514,030
Carrying value of Lamp deposits	<u>448,759</u>
Total	<u>\$ 9,723,483</u>

Captions on combined balance sheet:	
Cash and cash equivalents	\$ 6,092,071
Investments	3,514,030
Restricted assets	<u>117,382</u>
Total	<u>\$ 9,723,483</u>

4. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem, sales taxes, franchise taxes, and grants. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem, sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

The following is a summary of receivables for June 30, 2005, net of allowances for uncollectible amounts, where applicable:

Class of Receivable	General Fund	Fire Subdistrict Number 3 Fund	Municipal Complex Construction Fund	Other Governmental Funds	Proprietary Funds	Total
Taxes						
Other	\$ 52,282	\$ -	\$ -	\$ -	\$ -	\$ 52,282
Other:						
Accounts	44,422	1,816	-	704	230,627	277,569
Interest	15,909	6,975	4,927	334	82	28,227
Total	\$ 112,613	\$ 8,791	\$ 4,927	\$ 1,038	\$ 230,709	\$ 358,078

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The following details the description and amount of the allowance for uncollectible accounts at June 30, 2005:

Class of Receivable	General Fund	Fire Subdistrict Number 3 Fund	Municipal Complex Construction Fund	Other Governmental Funds	Proprietary Funds	Total
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	52,247	-	-	-	24,775	77,022
Total	\$ 52,247	\$ -	\$ -	\$ -	\$ 24,775	\$ 77,022

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

5. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the fiscal year June 30, 2005:

	Beginning Balance June 30, 2004	Increases	Decreases	Ending Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 921,542	\$ 39,509	\$ -	\$ 961,051
Construction in progress	-	802,998	-	802,998
Total capital assets, not being depreciated	921,542	842,507	-	1,764,049
Capital assets, being depreciated:				
Buildings and structures	1,672,424	6,944	-	1,679,367
Furniture and fixtures	189,698	14,585	109	202,778
Equipment and vehicles	2,143,617	361,616	219,405	2,287,223
Total capital assets, being depreciated	4,005,739	383,145	219,514	4,169,368
Less accumulated depreciation for:				
Buildings and structures	675,648	31,334	-	706,981
Furniture and fixtures	127,183	13,470	109	140,544
Equipment and vehicles	1,404,393	120,203	205,745	1,318,851
Total accumulated depreciation	2,207,224	165,007	205,854	2,166,376
Total capital assets, being depreciated, net	1,798,515	218,138	13,660	2,002,992
Governmental activities capital assets, net	\$ 2,720,057	\$ 1,060,645	\$ 13,660	\$ 3,767,041

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued**June 30, 2005**

The following is a summary of changes in capital assets for business-type activities for the fiscal year June 30, 2005:

	Beginning Balance June 30, 2004	Increases	Decreases	Ending Balance June 30, 2005
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 388,403	\$ -	\$ -	\$ 388,403
Capital assets, being depreciated:				
Buildings	296,874	-	-	296,874
Furniture and fixtures	91,947	-	-	91,947
Equipment and vehicles	232,403	15,085	-	247,488
Wastewater treatment plant	746,824	-	-	746,824
Water system	1,240,148	-	-	1,240,148
Gas system	917,071	-	-	917,071
Sewer system	1,685,473	-	-	1,685,473
Total capital assets, being depreciated	5,210,740	15,085	-	5,225,825
Less Accumulated Depreciation for:				
Buildings	57,985	8,456	-	66,441
Furniture and fixtures	56,726	9,679	-	66,405
Equipment and vehicles	184,760	9,151	-	193,911
Wastewater treatment plant	604,099	24,445	-	628,544
Water system	992,895	11,339	-	1,004,234
Gas system	667,307	12,937	-	680,244
Sewer system	474,419	32,029	-	506,448
Total accumulated depreciation	3,038,191	108,036	-	3,146,227
Total capital assets, being depreciated, net	2,172,549	(92,951)	-	2,079,598
Business-type activities capital assets, net	\$ 2,560,952	\$ (92,951)	\$ -	\$ 2,468,001

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Depreciation expense was charged to government functions as follows:

General Government	\$ 2,844
Public Safety - Police Department	61,024
Public Safety - Fire Department	71,599
Roads and Drainage	21,427
Depot Welcome Center	8,113
	<hr/>
Total	\$ 165,007

Depreciation expense was charged to business-type functions as follows:

Water and gas	\$ 46,868
Sewer	61,168
	<hr/>
Total	\$ 108,036

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30-50 years
Equipment	5-20 years
Infrastructure	20-25 years

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government	
Capital Outlay	\$ 1,225,652
Depreciation Expense	(165,007)
	<hr/>
Total Adjustments	\$ 1,060,645

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

6. Long Term Debt

The reporting entity's long term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2005, the governmental long term debt of the financial reporting entity consisted of the following:

The City borrowed \$3,505,000 from Louisiana Local Environmental Facilities and Community Development Authority (the "Authority") on August 10, 2004 for the construction of a new city hall and related improvements. The loan is repayable in annual installments of \$45,000 to \$245,000 plus interest at 4.0% to 5.0%. Payments are due annually from July 1, 2006 to July 1, 2029. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2006	\$ -	\$ 170,328
2007	45,000	168,527
2008	90,000	164,928
2009	90,000	161,327
2010	95,000	157,528
2011-2015	540,000	720,952
2016-2020	680,000	578,013
2021-2025	860,000	380,258
2026-2029	1,105,000	120,640
	<u>\$ 3,505,000</u>	<u>\$ 2,622,501</u>

Business Activities:

As of June 30, 2005, the business long term debt of the financial reporting entity is secured by specified revenue sources and has annual debt service requirements as follows:

Year Ending June 30,	Principal	Interest
2006	\$ 60,000	\$ 30,226
2007	60,000	28,156
2008	65,000	26,086
2009	65,000	23,844
2010	65,000	21,601
2011-2015	370,000	72,126
2016-2018	191,123	11,329
	<u>\$ 876,123</u>	<u>\$ 213,368</u>

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

On July 1, 1998, the City of Port Allen, Louisiana issued Certificates of Indebtedness Series 1998 in the amount of \$2,300,000 for the purpose of improving city streets and acquiring land for the proposed site of a new wastewater treatment facility. The certificates were issued in denominations of \$5,000 with interest payable January 1 and July 1 of each year through 2008 with interest from 4.05% to 8.0%. The certificates are secured by a pledge of the excess of general and special funds of The City and other operating revenue above statutory, necessary and usual charges.

On July 15, 2002, the City of Port Allen, Louisiana defeased the Certificates of Indebtedness Series 1998 Bonds, by placing \$1,638,863 in a special and irrevocable trust to provide for all future debt service payments on the bonds. The trustee purchased U.S. Government securities. The principal and interest from these securities is sufficient to fund the scheduled principal and interest payments on the bonds as they become due. Accordingly, the trust assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2005, \$1,130,000 of Certificates of Indebtedness Series 1998 Bonds remained outstanding, which are considered defeased.

The following is a summary of changes in long term debt for the year ended June 30, 2005:

Type of Debt	Balance at June 30, 2004	Additions or Bonds Issued	Bonds Redeemed and Other Deductions	Balance at June 30, 2005	Amount due within One Year
Governmental Activities:					
Loan	\$ -	\$ 3,505,000	\$ -	\$ 3,505,000	\$ -
Compensated Absences	259,111	33,342	68,260	224,193	87,746
Total General Long-Term Debt	259,111	3,538,342	68,260	3,729,193	87,746
Business-Type Activities:					
Sewer Fund Participation Notes	931,123	-	55,000	876,123	60,000
Compensated absences	78,025	3,383	17,071	64,337	28,549
Total Business-Type Activities Debt	\$ 1,009,148	\$ 3,383	\$ 72,071	\$ 940,460	\$ 88,549

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

7. Interfund Receivables/Payables

Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General	Fire District	\$ 137,912
	Utility	122,815
	Low Income Housing	837
		<u>\$ 261,564</u>
Sewer Fund	Water/Gas Fund	<u>\$ 216,168</u>

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

At June 30, 2005 there were lawsuits and claims pending against the City. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial position of the City.

9. Retirement Commitments

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description. All of the City's full time general employees participate in the MERS, a cost sharing, multiple employer defined benefit pension plan administered by a separate Board of Trustees. MERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Funding Policy. Plan members are required by state statute to contribute 9¼% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 15% of annual covered payroll. The contribution requirements of plan members and employers are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. Contributions to MERS for the years ending June 30, 2005, 2004, and 2003 were \$282,438, \$220,808, and \$186,898, respectively, and were equal to the required contributions for each year.

Municipal Police Employees Retirement System (MPERS)

Plan Description. All of the City's full time police employees participate in the MPERS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7½% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to MPERS for the years ending June 30, 2005, 2004, and 2003 were \$193,798, \$164,677 and \$130,841 respectively, and were equal to the required contributions for each year.

Firefighters' Retirement System (FRS)

Plan Description. All of the Port Allen Fire Subdistrict No. 3's full time fire employees participate in the FRS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

Funding Policy. Plan members are required by state statute to contribute 8% of their annual covered salary and employers are required to contribute at an actuarially determined rate. The current employer rate is 24% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to FRS for the years ending June 30, 2005, 2004 and 2003 were \$117,827, \$77,585, and \$69,322, respectively, and were equal to the required contributions for each year.

Louisiana State Employees Retirement System (LASERS)

Plan Description. The City's judicial employee participates in the LASERS, a cost-sharing, multiple employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana.

Funding Policy. Plan members are required by state statute to contribute 11½% of their annual covered salary and employers are required to contribute at an actuarially determinable rate. The current employer rate is 17.8% of annual covered payroll. The contribution requirements of plan members and the employer are established by and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions to LASERS for the years ending June 30, 2005, 2004, and 2003 were \$7,551, \$6,775 and \$6,353, respectively, and were equal to the required contributions for each year.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

10. Other Post Employment Benefits

The government provides post retirement health care benefits as per the requirements of a local resolution for certain retirees. The government pays 50% of the premiums of health care coverage for employees who retire with at least 25 years of full time service and who agree to pay the remaining 50% of the premium. The government's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The benefits are authorized under Louisiana R.S. 33:5151. The City Council passed a resolution to provide the benefits on May 13, 1992 and may rescind the benefits at any time by a majority vote of the Council.

As of year end, there were 16 employees who had retired with 25 years of full time service that were receiving the 50% premium coverage benefit. The government finances the plan on a pay-as-you-go basis. For the year ended June 30, 2005, the government recognized as incurred \$15,769 of expenditures.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City purchases commercial insurance policies at levels which management believes is adequate to protect the City. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

12. On Behalf Payments

Included in intergovernmental revenue and salary expense are supplemental salary payments to police officers and firemen, which was paid directly to them from the State of Louisiana. The payments to police officers were \$66,440 and \$72,990 for the years ended June 30, 2005 and 2004, respectively. The payments to firemen were \$28,800 and \$31,920 for the years ended June 30, 2005 and 2004, respectively.

CITY OF PORT ALLEN, LOUISIANA

Notes to Financial Statements, Continued

June 30, 2005

13. Commitments

On August 10, 2004, the City received the proceeds from a \$3,505,000 bond issue for the construction of a new city hall and related improvements. Construction expense of approximately \$803,000 and loan cost of \$46,375 were incurred during the year ended June 30, 2005. Construction is expected to be completed during the year ending June 30, 2006. The City is using approximately \$500,000 of Capital Improvement Fund reserves for a total project cost of approximately \$4,000,000.

14. Correction of an error

During the year the Department of Housing and Urban Development (HUD) made corrections to previously reported income. The result was to reduce the previously reported fund balance of the Low Income Housing Assistance Fund by \$1,958.

CITY OF PORT ALLEN, LOUISIANA

Required Supplementary Information

June 30, 2005

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

Year Ended June 30, 2005

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes	\$ 619,800	\$ 619,800	\$ 640,602	\$ 20,802
Licenses and permits	252,000	252,000	316,887	64,887
Intergovernmental	1,538,664	1,793,705	2,005,250	211,545
Charges for services	336,360	336,360	325,618	(10,742)
Fines and forfeitures	39,000	39,000	14,780	(24,220)
Investment earnings	75,000	75,000	132,095	57,095
Miscellaneous	46,200	28,200	17,096	(11,104)
Total revenues	2,907,024	3,144,065	3,452,328	308,263
Expenditures				
Current				
General government	498,961	453,402	481,146	(27,744)
Public safety	1,358,184	1,408,518	1,449,584	(41,066)
Roads and drainage	662,784	758,716	775,088	(16,372)
Depot Welcome Center	13,248	13,248	12,887	361
Sanitation	302,748	302,748	298,666	4,082
Health	22,164	25,188	25,525	(337)
Community Development	-	41,004	36,972	4,032
Fleet maintenance	90,732	90,732	96,454	(5,722)
Capital outlay				
Public safety	-	92,305	90,462	1,843
Roads and drainage	-	-	-	-
Total expenditures	2,948,821	3,185,861	3,266,784	(80,923)
Excess of Revenues Over Expenditures	(41,797)	(41,796)	185,544	227,340
Other Financing Sources				
Sales of general fixed assets	3,000	3,000	8,286	5,286
Operating transfers in	59,796	59,796	58,648	(1,148)
Total other financing sources	62,796	62,796	66,934	4,138
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	20,999	21,000	252,478	231,478
Fund Balance				
Beginning	2,674,659	2,674,659	2,701,507	249,663
Ending	\$ 2,695,658	\$ 2,695,659	\$ 2,953,985	\$ 481,141

CITY OF PORT ALLEN, LOUISIANA

Schedule of Revenues and Other Financing

Year Ended June 30, 2005

Sources - Budget and Actual

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Taxes				
Ad valorem	\$ 336,000	\$ 336,000	\$ 339,541	\$ 3,541
Franchise	283,800	283,800	301,061	17,261
Total taxes	619,800	619,800	640,602	20,802
Licenses and permits				
Business licenses and permits				
Professional and occupational	252,000	252,000	316,887	64,887
Total licenses and permits	252,000	252,000	316,887	64,887
Intergovernmental				
State grants				
Capital projects	-	-	-	-
Streets	4,836	91,836	91,835	(1)
Public safety	-	97,114	100,147	3,033
State shared revenues				
Alcoholic beverage tax	27,996	27,996	19,154	(8,842)
Other	-	-	66,440	66,440
West Baton Rouge Parish shared revenues				
General sales and use tax	1,505,832	1,576,759	1,727,674	150,915
Total intergovernmental	1,538,664	1,793,705	2,005,250	211,545
Charges for services				
Public safety - protective inspection fees	14,400	14,400	9,747	(4,653)
Sanitation - refuse collection charges	321,960	321,960	315,871	(6,089)
Total charges for services	336,360	336,360	325,618	(10,742)
Fines and forfeitures	39,000	39,000	14,780	(24,220)
Interest	75,000	75,000	132,095	57,095
Miscellaneous	46,200	28,200	17,096	(11,104)
Total Revenues	2,907,024	3,144,065	3,452,328	308,263
Other Financing Sources				
Sales of general fixed assets	3,000	3,000	8,286	5,286
Operating transfers in	59,796	59,796	58,648	(1,148)
Total other financing sources	62,796	62,796	66,934	4,138
Total revenues and other financing sources	\$ 2,969,820	\$ 3,206,861	\$ 3,519,262	\$ 312,401

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures and Other Financing

Year Ended June 30, 2005

Uses - Budget and Actual

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Current				
General government				
Legislative				
Personal services	\$ 29,962	\$ 29,962	\$ 30,397	\$ (435)
Judicial				
Personal services	57,564	57,564	63,788	(6,224)
Supplies	960	960	-	960
Other services and charges	13,164	13,164	13,579	(415)
Executive				
Personal services	46,863	46,863	48,127	(1,264)
Administrative				
Personal services	198,144	198,143	223,349	(25,206)
Supplies	6,996	6,996	5,736	1,260
Other services and charges	145,308	99,750	96,170	3,580
Total general government	498,961	453,402	481,146	(27,744)
Public safety				
Police				
Personal services	1,193,832	1,193,832	1,256,558	(62,726)
Supplies	48,648	78,010	69,144	8,866
Other services and charges	90,756	111,728	104,728	7,000
Protective inspection				
Other services and charges	24,948	24,948	19,154	5,794
Total public safety	1,358,184	1,408,518	1,449,584	(41,066)
Roads and Drainage				
Personal services	422,856	422,856	445,072	(22,216)
Supplies	74,580	74,580	75,386	(806)
Other services and charges	165,348	261,280	254,630	6,650
Total roads and drainage	662,784	758,716	775,088	(16,372)

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures and Other Financing Uses - Budget and Actual, Continued General Fund

Year Ended June 30, 2005

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Depot Welcome Center				
Personal services	5,628	5,628	5,840	(212)
Supplies	300	300	1,540	(1,240)
Other services and charges	7,320	7,320	5,507	1,813
Total depot welcome center	13,248	13,248	12,887	361
Sanitation				
Other services and charges	302,748	302,748	298,666	4,082
Health				
Other services and charges	22,164	25,188	25,525	(337)
Community Development				
Other services and charges	-	41,004	36,972	4,032
Fleet maintenance				
Personal services	50,304	50,304	51,900	(1,596)
Supplies	5,940	5,940	6,612	(672)
Other services and charges	34,488	34,488	37,942	(3,454)
Total fleet maintenance	90,732	90,732	96,454	(5,722)
Total current expenditures	2,948,821	3,093,556	3,176,322	(82,766)
Capital Outlay				
Public safety				
Police	-	92,305	90,462	1,843
Highways and streets	-	-	-	-
Total capital outlay expenditures	-	92,305	90,462	1,843
Total Expenditures	2,948,821	3,185,861	3,266,784	(80,923)
Other Financing Uses				
Operating transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Total Expenditures and other financing uses	\$ 2,948,821	\$ 3,185,861	\$ 3,266,784	\$ (80,923)

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual **Year Ended June 30, 2005**
Port Allen Fire Subdistrict No. 3 Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 779,900	\$ 858,205	\$ 911,177	\$ 52,972
Investment earnings	33,660	33,660	55,291	21,631
Miscellaneous	180	10,705	17,035	6,330
Total revenues	813,740	902,570	983,503	80,933
Expenditures				
Current				
Public safety				
Fire				
Personal services	501,024	537,000	586,174	(49,174)
Supplies	35,208	35,208	31,423	3,785
Other services and charges	114,816	135,274	122,942	12,332
Capital outlay				
Public safety				
Fire	290,100	305,600	292,682	12,918
Total expenditures	941,148	1,013,082	1,033,221	(20,139)
Excess (Deficiency) of Revenues Over Expenditures	(127,408)	(110,512)	(49,718)	60,794
Other Financing Sources (Uses)				
Sales of general fixed assets	-	-	645	645
Operating transfers out	(74,988)	(74,988)	(74,879)	(109)
Total other financing sources (uses)	(74,988)	(74,988)	(74,234)	536
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(202,396)	(185,500)	(123,952)	61,330
Fund Balance				
Beginning	1,133,355	1,133,355	1,114,738	(18,617)
Ending	\$ 930,959	\$ 947,855	\$ 990,786	\$ 42,713

CITY OF PORT ALLEN, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Complex Construction Fund**Year Ended June 30, 2005**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Investment earnings	\$ -	\$ -	\$ 33,773	\$ 33,773
Total revenues	-	-	33,773	33,773
Expenditures				
Capital outlay				
General Government	3,584,124	3,644,290	802,998	2,841,292
Total expenditures	3,584,124	3,644,290	802,998	2,841,292
Excess (Deficiency) of Revenues Over Expenditures	(3,584,124)	(3,644,290)	(769,225)	2,807,519
Other Financing Sources (Uses)				
Bond proceeds	3,100,000	3,100,000	3,100,000	-
Operating transfers in	500,000	500,000	500,000	-
Total other financing sources (uses)	3,600,000	3,600,000	3,600,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	15,876	(44,290)	2,830,775	2,807,519
Fund Balance				
Beginning	-	-	-	-
Ending	\$ 15,876	\$ (44,290)	\$ 2,830,775	\$ 2,807,519

CITY OF PORT ALLEN, LOUISIANA

Other Supplemental Information

June 30, 2005

CITY OF PORT ALLEN, LOUISIANA

Nonmajor Governmental Funds

June 30, 2005

Special Revenue Funds

Low-Income Housing Assistance Fund – This fund is used to account for the expenditure and subsequent reimbursement of funds received from the U.S. Department of Housing and Urban Development for rental assistance to low income citizens who qualify.

Capital Projects Funds

Capital Improvements Fund - this fund is used to account for Video Poker revenues. The City Council approves amounts to be transferred to other funds or expended through budget appropriation.

Riverfront Capital Project Fund - this fund is operational through state and federal grants and private donations. The City Council approves amounts to be expended through budget appropriation.

Debt Service Funds

Municipal Complex Debt Service Fund - this fund is operational through proceeds from debt and transfers from the Capital Improvements Fund of the City. The City Council approves amounts to be transferred to this fund through budget appropriation.

CITY OF PORT ALLEN, LOUISIANA

Combining Balance Sheet

June 30, 2005

Nonmajor Governmental Funds

	Low-Income Housing Assistance	Capital Improvements Fund	Riverfront Capital Project Fund	Municipal Complex Debt Service Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 13,303	\$ 741,709	\$ 198,729	216,877	\$ 1,170,618
Due from other governments	-	49,161	30,000	-	79,161
Accounts receivable and accrued interest	-	-	-	1,038	1,038
Total Assets	\$ 13,303	\$ 790,870	\$ 228,729	\$ 217,915	\$ 1,250,817
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,629	\$ -	\$ -	\$ -	\$ 2,629
Due to other funds	837	-	-	-	837
Accrued interest payable	-	-	-	85,164	85,164
Total liabilities	3,466	-	-	85,164	88,630
Fund Balances					
Reserved for:					
Welfare	9,837	-	-	-	9,837
Debt service	-	-	-	132,751	132,751
Capital improvements	-	790,870	228,729	-	1,019,599
Total fund balances	9,837	790,870	228,729	132,751	1,162,187
Total Liabilities and Fund Balance	\$ 13,303	\$ 790,870	\$ 228,729	\$ 217,915	\$ 1,250,817

CITY OF PORT ALLEN, LOUISIANA

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds**

Year Ended June 30, 2005

	Low-Income Housing Assistance	Capital Improvements Fund	Riverfront Capital Projects Fund	Municipal Complex Debt Service Fund	Totals
Revenues					
Intergovernmental	\$ 565,814	\$ 329,223	\$ 33,177	\$ -	\$ 928,214
Investment earnings	-	11,841	4,495	2,361	18,697
Other	1,158	-	-	-	1,158
Total revenues	566,972	341,064	37,672	2,361	948,069
Expenditures					
Current					
Highways and streets	-	-	1,500	-	1,500
Welfare	560,057	-	-	-	560,057
Capital outlay					
General Government	-	-	39,509	-	39,509
Debt Service					
Interest expense	-	-	-	151,876	151,876
Bond issuance cost	-	-	-	75,420	75,420
Total expenditures	560,057	-	41,009	227,296	828,362
Excess (Deficiency) of Revenues Over Expenditures	6,915	341,064	(3,337)	(224,935)	119,707
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	405,000	405,000
Original Issue Discount	-	-	-	(47,314)	(47,314)
Operating transfers out	(3,652)	(500,000)	-	-	(503,652)
Total other financing sources (uses)	(3,652)	(500,000)	-	357,686	(145,966)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,263	(158,936)	(3,337)	132,751	(26,259)
Fund Balance					
Beginning as previously reported	8,532	949,806	232,066	-	1,190,404
Correction	(1,958)	-	-	-	(1,958)
Beginning as restated	6,574	949,806	232,066	-	1,188,446
Ending	\$ 9,837	\$ 790,870	\$ 228,729	\$ 132,751	\$ 1,162,187

CITY OF PORT ALLEN, LOUISIANA*Schedule of Compensation Paid to City Council**Year Ended June 30, 2005*

<u>Council Member</u>	<u>Salary</u>
Ralph Bergeron	\$ 10,966
Irvie Johnson	431
Johnny L. Johnson, Sr.	5,280
Ray Helen Lawrence	10,966
Derek A. Lewis	5,686
R. J. Loupe	5,585
Lillian Ragan	6,016
Hugh Riviere	5,280
Brenda Carter Smith	<u>5,077</u>
Total	<u>\$ 55,287</u>

CITY OF PORT ALLEN, LOUISIANA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grants/Program Title				(Deferred)		(Deferred)	
Federal CFDA Number	Program or Award Amount	Accrued Revenue at June 30, 2004	Cash Received	Revenue Recognized	Expenditures	Accrued Revenue at June 30, 2005	
U.S. Department of HUD							
Major Program							
Section 8 Housing Assistance							
14.182	\$ 565,813	\$ 2,650	\$ 571,092	\$ 565,813	\$ 565,813	\$ (2,629)	
Payments Program, Existing Housing							
14.246	89,415	-	3,177	3,177	3,177	-	
Economic Development Initiative							
		2,650	574,269	568,990	568,990	(2,629)	
Pass-Through - State of Louisiana							
Commission on Law Enforcement							
16.579	73,146	33,911	33,911	-	-	-	
16.579	59,834	-	43,549	59,834	59,834	16,285	
16.579	2,183	-	2,183	2,183	2,183	-	
16.579	850	-	850	850	850	-	
State Project P05-5-005							
		33,911	80,493	62,867	62,867	16,285	
		\$ 36,561	\$ 654,762	\$ 631,857	\$ 631,857	\$ 13,656	

See Notes to Schedule of Expenditures of Federal Awards

CITY OF PORT ALLEN, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards

June 30, 2005

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Port Allen, Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
Port Allen, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Allen, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the City of Port Allen, Louisiana's, basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance.

As part of obtaining reasonable assurance about whether the City of Port Allen, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting.

In planning and performing our audit, we considered the City of Port Allen, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Port Allen,

Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition item 2005-1 is a material weakness.

This report is intended for the information of the Mayor, Members of the City Council, management and federal and state awarding agencies and pass through entities and the State of Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford LLC

November 18, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

To the Honorable Mayor and Members of the City Council
Port Allen, Louisiana

Compliance.

We have audited the compliance of the City of Port Allen, Louisiana, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Port Allen, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Port Allen, Louisiana's management. Our responsibility is to express an opinion on the City of Port Allen, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Port Allen, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Port Allen, Louisiana's compliance with those requirements.

In our opinion, the City of Port Allen, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance.

The management of the City of Port Allen, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Port Allen, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition item 2005-1 is a material weakness.

This report is intended for the information of the Mayor, Members of the City Council, management and federal and state awarding agencies and pass through entities and the State of Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, LLC

November 18, 2005

CITY OF PORT ALLEN, LOUISIANA***Schedule of Findings and Questioned Costs******Year Ended June 30, 2005******Section I – Summary of Auditor's Results******Financial Statements.***

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>Yes</u>
Reportable condition identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards.

Internal Control over major programs:	
Material weakness identified?	<u>Yes</u>
Reportable condition identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, § 510(a)?	<u>Yes</u>
Identification of major <u>programs</u> :	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.182</u>	<u>Section 8 Housing</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low risk auditee?	<u>No</u>

CITY OF PORT ALLEN, LOUISIANA

Schedule of Finding and Questioned Costs, Continued

Year Ended June 30, 2005

Section II – Financial Statement Findings

Reportable Conditions – Material Weakness

Item 2005-1 The size of the City and the limited number of employees does not permit an adequate segregation of employee duties for effective internal accounting control over the financial reporting (journal entry preparation, approval and recordation) cycles.

Criteria. Financial reporting under the control of one person represents a failure to segregate incompatible accounting activities.

Effect. The condition is such that errors, either intentional or unintentional, in the processing of financial reports, could occur and not be detected in a timely manner and in the ordinary course of operations.

Cause. The size of the City and the limited number of employees did not permit an adequate segregation of incompatible duties.

Recommendation. To the extent that it is practical to do so, management should segregate employee duties and perform supervisory reviews.

Management's Response. We have determined that the cost to solve this problem may exceed the benefit. We are aware of the duties assigned to employees and have taken appropriate actions and supervision to mitigate the effect of the lack of segregation of duties. Based on the size of the City, there is nothing else that we can do that we believe would be cost effective.

CITY OF PORT ALLEN, LOUISIANA

Schedule of Finding and Questioned Costs, Continued

Year Ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs

See Finding 2005-1 above, related to segregation of employee duties.

Section IV – Independent Auditor's Comments on Resolution of Prior Audit Findings

Finding 2005-1 is a repeat of prior year's findings.

There were no other prior year findings that were not corrected.